Testimony of the New York Health Plan Association

to the

New York State Assembly Committee on Health
and
the Senate Committee on Health
on the subject of

A.5248/S.3577 – The New York Health Act

May 28, 2019

Introduction

The New York Health Plan Association (HPA), comprises 30 health plans that provide comprehensive health care services to more than eight million fully-insured New Yorkers, and appreciates the opportunity to offer testimony on A.5248/S.3577 – the New York Health Act.

We believe that every New Yorker deserves coverage for high-quality, affordable health care, and our member health plans are committed to continuing to work with state lawmakers, policymakers, and others to achieve the goal of universal coverage. New York has been successful in providing insurance coverage to more than 95 percent of state residents, in large part due to the work of our member health plans in implementing the Affordable Care Act (ACA) and New York's ambitious Medicaid Redesign program.

We recognize that more work is needed to achieve the goal of universal coverage and to address the cost of health care. **However, we oppose the New York Health Act, as it would take away health coverage options currently available to millions of New Yorkers and require massive tax increases.** Instead, we believe the focus should be to build on the current health care infrastructure without disrupting current coverage options for employers and consumers to ensure coverage for all New Yorkers and to make health care more affordable.

The Path to Universal Coverage: Reaching the 5 percent and Making Health Care More Affordable

Our member health plans have long partnered with the state in achieving its health care goals. These partnerships include collaborating on efforts to develop affordable coverage options for individuals, families, and small businesses, and providing access to care that exceeds national quality benchmarks for both commercial and government program enrollees. HPA members include plans that offer a full range of health insurance and managed care products (HMO, PPO, POS, etc.), public health plans (PHPs), and managed long term care (MLTC) plans. The New Yorkers who rely on these plans are enrolled through employers, as individuals, or through government sponsored programs — Medicaid Managed Care, Child Health Plus, the Essential Plan — and through New York's exchange, the NY State of Health (NYSOH). Indeed, when government has looked to expand access to care and coverage, it has turned to health plans and we have responded.

Since the enactment of the federal ACA and creation of the NYSOH exchange, New York has cut its uninsured rate in half. In 2013, more than ten percent of New Yorkers were uninsured. Today, the state's uninsured rate is at its lowest rate ever – 4.7 percent – according to news

released earlier this month by the NYSOH, based on recently released data from the federal Centers for Disease Control and Prevention's National Health Interview Survey.

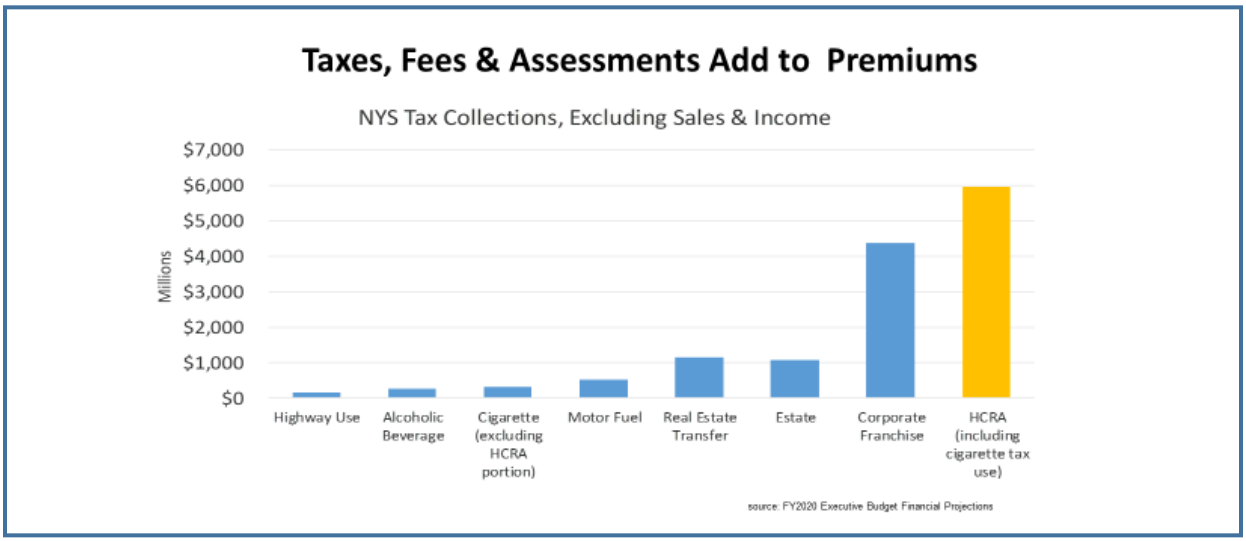
New York should be justifiably proud of this accomplishment. It is an achievement that was made possible, in large part, due to the efforts of the health plan community. New York took advantage of provisions under the ACA to expand its already successful Medicaid managed care program. Additionally, the NYSOH marketplace is, by all measures, among the most – if not the most – robust and successful exchange in the nation. A dozen health plans offer private insurance through hundreds of Qualified Health Plan product options, while nine plans offer coverage to small employers enrolling through the Small Business (SHOP) Marketplace, and 16 plans participate in the "basic health plan," known as the Essential Plan, that provides low or no cost coverage to lower income New Yorkers. The Essential Plan has been enormously successful, enrolling nearly 800,000 individuals.

Looking at these achievements, it is clear to see that New York is well on its way to universal coverage. So in a goal of getting everyone covered, why throw all of this away? We believe that it is possible to get all New Yorkers covered by taking the following steps:

- Investing in Expanding Coverage — According to an April 2019 report by the Health Foundation for Western and Central NY, today roughly half of the 1.1 million New Yorkers who lack coverage are already eligible for free or low-cost coverage through public programs like Medicaid, Child Health Plus, and the Essential Plan—or are eligible for tax credits to reduce premiums and cost-sharing for the Qualified Health Plans available from New York State of Health. Reaching out aggressively to enroll these individuals and, where available, maximizing federal funding would be a major step forward in closing the uninsured gap.
- Stabilizing the Individual Market — The state should make subsidies available to consumers who are not eligible to access federal subsidies or tax credits and adopt an individual mandate to promote a stable marketplace.
- Providing Greater Market Flexibility — The state should build on the existing employer-based system by giving businesses and consumers more health insurance options. Measures should include greater regulatory flexibility in health plan benefit design that will allow for a broader choice of affordable health plan products, including measures that promote wellness and reward consumers who seek care from high-quality, cost-effective providers.
- Addressing Underlying Health Care Costs — Health insurance premiums and the prices charged for medical services and prescription drugs are inextricably linked. New York should take steps to ensure that employers and consumers are getting value for the prices being charged, including: greater oversight and monitoring of provider mergers so that consolidation does not lead to exorbitant prices; protections for consumers from surprise

billing practices for hospitals that do not participate in a health plan's network; and transparency by pharmaceutical companies for increases in their prescription drug prices.

- Making Better Use of Existing Health Care Dollars — Nearly $5 billion in various taxes, surcharges, and fees are imposed on health insurance, representing the third largest source of state revenue behind the sales and income taxes. The state should promote the most efficient use of these funds and reallocate some of this revenue to assist consumers in accessing coverage.



The NY Health Act: Fewer Options, Longer Wait Times, Higher Taxes

Fewer Choices, Longer Wait Times and Diminished Quality

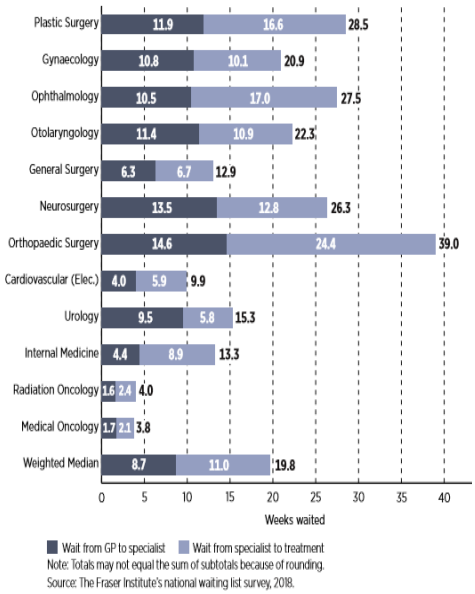
There are serious quality concerns associated with government-run, single payer systems. Even with massive tax increases, patients may still have to wait longer for treatment and won't be guaranteed to see the doctor or specialist of their choice. The evidence demonstrates that these systems fail to provide timely access to high-quality, innovative medical care to all individuals. Often, patients have less access to the latest medical technology and breakthroughs, fewer choices, and longer wait-times to receive basic and specialty care.

The Canadian system offers a good comparison to what is being proposed under the NY Health Act. A 2018 survey by the Fraser Institute, a non-partisan research and educational organization based in Canada, noted that waiting for treatment has become a defining characteristic of the Canadian health care system.[1]

[1] Fraser Institute, *Waiting Your Turn: Wait Times for Health Care in Canada, 2018 Report*, published December 2018 https://www.fraserinstitute.org/sites/default/files/waiting-your-turn-2018.pdf

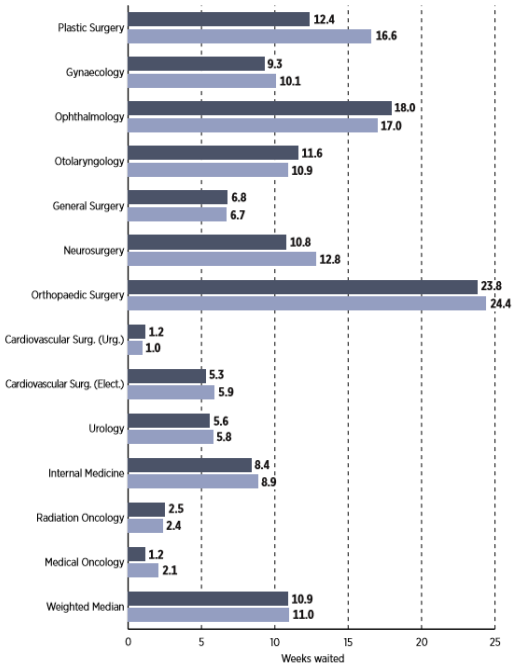
- Its survey of specialist physicians reported a median waiting time of 10.2 weeks from a referral by a general practitioner to consultation with a specialist.
- The survey also reported a median waiting time of 19.8 weeks between referral from a general practitioner and receipt of treatment.
- Patients also experience significant waiting times for various diagnostic technologies, including waiting 10.6 weeks for a magnetic resonance imaging (MRI) scan, 4.3 weeks for a computed tomography (CT) scan, and 3.9 weeks for an ultrasound.

Median Wait by Specialty in 2018
Weeks waited from referral by GP to treatment



Note: Totals may not equal the sum of subtotals because of rounding.
Source: The Fraser Institute's national waiting list survey, 2018.

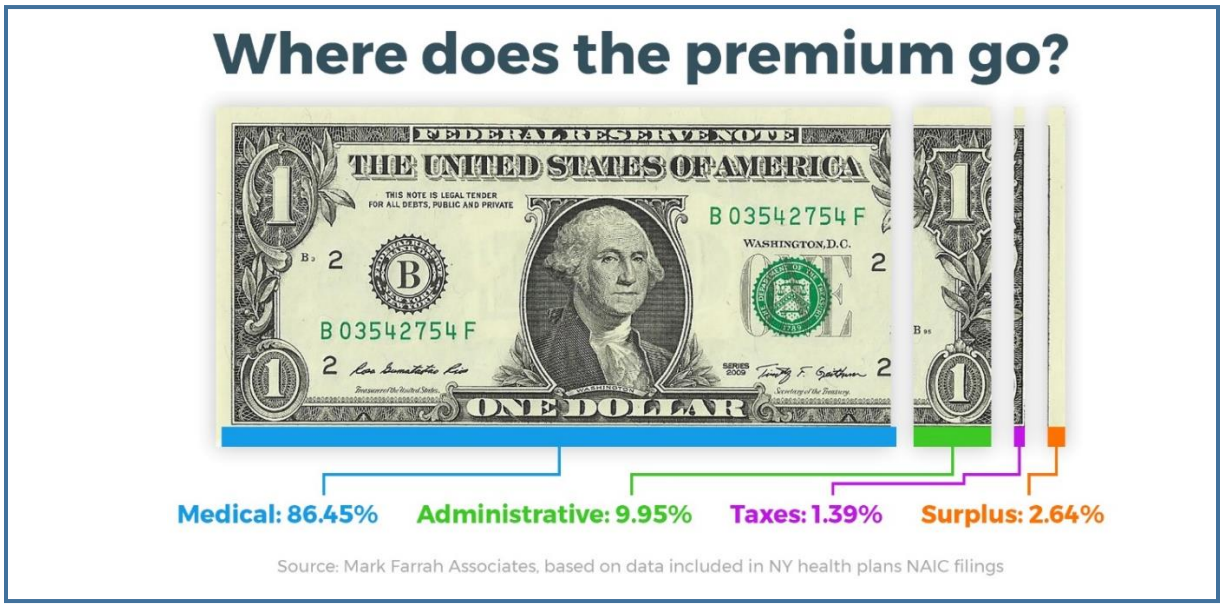
Wait by Specialty in 2017 & 2018
Weeks waited from appointment with specialist to treatment



Source: The Fraser Institute's national waiting list survey, 2017, 2018.

The Myth of Administrative Savings

One of the most often used cases made for a single payer system is that it would significantly reduce administrative costs. This argument is usually coupled with statements that these costs account for upwards of 30 percent of health insurance premiums. The reality, however, is that federal and state laws restrict what health plans can spend on administrative costs. Currently, for small group and individual policies, health plans are required to spend 82 cents of every premium dollar on medical costs (for large groups, the amount is 85 cents).



Administrative costs, include a wide range of things such as care management and coordination programs for individuals with chronic conditions, health information technology, quality improvement programs, investments in social determinants of health, and wellness programs. They also include investments in innovations like telehealth and medication adherence, infrastructure to prevent fraud, waste and abuse, and timely claims payment. There are also the government assessments, taxes, and myriad reporting requirements imposed on plans by the state and federal governments. All of this combined accounts for roughly ten percent of the premium.

Additionally, those who tout Medicare's "low" administrative rates fail to note that some of Medicare's capital and benefit costs are funded elsewhere in the federal budget, or that Medicare typically contracts with health plans to process claims and offer services that benefit consumers. By the end of 2018, 41 percent of New Yorkers in Medicare were enrolled in a managed Medicare Advantage plan instead of the "traditional" fee-for-service Medicare program. A government-run system is unlikely to lead to significant long-term administrative savings.

Massive Tax Increases

Last year's independent analysis by the RAND Corp. for the New York State Health Foundation estimated more than $139 billion in new taxes would be needed in 2022 and $210 billion in 2031 to fund the New York Health Act, provided that the state received the necessary federal waivers and would be able to regulate provider rates and drug prices. The analysis noted that New York would need to increase taxes even further if the projected savings from cutting prices paid to providers don't materialize or if wealthier New Yorkers and/or New York businesses abandon the state.

The analysis noted that the cuts in provider rates are highly uncertain and is based on whether the state is willing and able to regulate the prices charged by doctors, hospitals and pharmaceutical manufacturers, despite any evidence of their willingness to be paid less than they are today. Additionally, the RAND analysis was predicated on the assumption that the state would receive a federal waiver, which is doubtful in light of CMS Administrator Seema Verma's statements that CMS would likely deny waivers from states to launch single payment systems. Specifically, the RAND report stated:

> *"Our analysis finds that a single-payer approach in New York could expand coverage while reducing total health spending, assuming that the state is able to negotiate modest reductions in the growth of provider payment and trim administrative expenses. While these assumptions are reasonable, they are also highly uncertain and depend on providers' bargaining power, the state's ability to administer the plan efficiently, and the federal government's willingness to grant waivers to the state.* ***If any of these assumptions fails to hold, estimated costs to state taxpayers could increase.****"*

While proponents argue that a government-run, single payer system could address these costs and be financed from savings in administration and from bulk purchasing, any administrative savings associated with a single payer system will not be sufficient to ensure coverage for every New Yorker without a massive tax increase.

Further, Vermont, the only state that has voted for a government-run, single payer system, chose not to proceed once it determined that the financing would be impractical and require significant increases in corporate and income taxes that would be detrimental to individuals, employers, and the state's economy overall. In deciding to shelve its single-payer plan in 2014, former Vermont Governor Peter Shumlin stated that the costs of his proposed reform would be too great, noting

> ***"The taxes required to replace health care premiums with a publicly financed plan that would best serve Vermont are, in a word, enormous."***

When the ACA became law, New York took steps to bring the state's health insurance rules in line with the requirements of the federal law and took advantage of provisions under the ACA to expand coverage to more New Yorkers. Additionally, this year's budget included numerous provisions to codify the ACA into state statute in order to protect that progress and to preserve certain requirements in the event that there are changes in federal law.

Rather than continuing to devote attention to creating a government-run system that would take away options currently available to seniors and other state residents and require massive tax increases, the focus needs to be on efforts to build on New York's achievements to date, and to further expand coverage, address costs and improve quality without disrupting current coverage options for employers and consumers.

Conclusion

HPA and its member plans support the objective of universal coverage, and New York is very close to achieving that goal. Our plans are proud of the role they have played in helping the state achieve this success and continue to be committed to working with you and your colleagues to close the remaining gap and ensure that all New York individuals, families and business have access to high-quality, affordable health care coverage.

We thank you for the opportunity to share our views today.